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Sent: Monday, January 24, 2005 3:53 PM
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Subject: Attention: No. 2004-53 & 2004-54

January 23, 2005

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G St. NW
Washington DC 20552

Attention: No. 2004-53 & 2004-54

To Whom it May Concern:

I am writing on behalf of the Metropolitan Milwaukee Fair Housing Council (MMFHC), to express concern about the OTS' proposal to change the way that thrifts are regulated under the Community Reinvestment Act (CRA). MMFHC, a 27 year old private membership-based organization, is comprised of men and women who share a desire to create open and inclusive communities throughout the state of Wisconsin. MMFHC's mission is to guarantee all people access to housing opportunities by creating and maintaining racially and economically integrated housing patterns.

Since its inception, CRA has been an instrumental catalyst in a wide variety of projects, programs and community development and community revitalization efforts undertaken by MMFHC and its partners. MMFHC's overall concern is that the OTS proposal contradicts the purpose of the Community Reinvestment Act and that it will result in a significant reduction of the amount of community development financing and thrift services in low and moderate income communities.

We are concerned that the proposal:

- allows large thrifts themselves to design watered-down CRA exams,
- allows all savings and loans to serve affluent neighborhoods and neglect low and moderate income neighborhoods in rural areas and areas impacted by natural disasters,
- allows large thrifts to choose to eliminate their investment and service tests, and thus only have to pass a lending test, or to choose to have small investment and service tests, meaning that the lending test counts for virtually all of the total grade.

The danger with reducing or eliminating the investment test is that large thrifts can get away with neglecting pressing community needs. If they eliminate their investment tests, they will not be required to make investments like financing affordable rental housing via Low Income Housing Tax Credits or financing small businesses via equity investments.

One of the problems with eliminating their service tests is that thrifts would not be required to place or maintain branches in low and moderate income communities. With no service test, the thrifts can also ignore the needs for remittances and other low-cost banking services.

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Compounding the problem is that when low and moderate income neighborhoods are not served by branches of legitimate mainstream lenders, abusive predatory lenders, payday loans, check cashing, and other high cost financial services spring up to fill the gap. Through high interest rates, excessive fees, and deceptive conditions, these unscrupulous lenders trap low and moderate income people in unfair agreements that rob them of their savings and sometimes of their homes. The results are devastating families and their communities. Strong service tests must be not only maintained, but strengthened, in order to stem the influx of the alternative financial service industry.

MMFHC also believes that CRA-related communication between lenders and regulators should be strengthened, not weakened. Under current CRA regulation, banks and thrifts have an affirmative and continual obligation to serve low and moderate income communities, and vital opportunities are provided for community groups and thrifts to meet with the OTS to discuss predatory lending and other CRA matters when thrifts are merging.

While the OTS is currently required to hold two meetings to ensure that all facts and impacts of proposed mergers are thoroughly vetted, the proposal would allow the OTS, at its own discretion, to hold only one meeting or to decline to hold a meeting at all. This change in regulation would not provide community groups with an adequate opportunity to bring to light the full range of community impacts that a merger would have. Because merging institutions often conceal important data and information regarding CRA and fair lending compliance, and will only provide this information if repeatedly prodded by community groups during meetings with the regulatory agency, MMFHC feels that it is important to keep, or better yet, strengthen the current regulations regarding merger hearings and OTS-community group communications.

In summary, MMFHC urges you to withdraw this proposal. Please contact me if you have any questions regarding our concerns. My contact information is provided below.

Sincerely,

Bethany Sanchez
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cc. U.S. Representative Gwen Moore

Mayor Tom Barrett, City of Milwaukee

National Community Reinvestment Coalition